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ABSTRACT

A growing percentage of the U.S. work force depends upon entrepreneurial skills and behaviors to succeed in the new opportunity economy. The explosion of technology, accelerating need for new and different products, globalization of business, and demand for speed in delivery have shifted the economic driving force toward companies that can meet these demands--and those are generally smaller companies. Small businesses are pacing the growth of the economy. They are the source of constant experimentation, exploration, and innovation. They foster cycles of renewal in the U.S. market economy; contribute dramatically to the U.S. economy's edge and competitiveness because they are, by nature, diverse and inclusive; and demand greater flexibility from their workers. Entrepreneurial success requires a core knowledge base, an understanding of the marketplace, and entrepreneurial skills. Foundation skills are the "new basics" for every work environment. Bridging skills include communication, resource allocation, management skills, and a level of technological proficiency that enables workers to use foundation skills effectively. Focus skills are those specifically required to engage in an agile business environment. A 1998 Gallup survey of business leaders, students, parents, and teachers reports all four groups rated the sets of skills extremely important. Most people believe schools are not preparing students for the entrepreneurial economy. (YLB)

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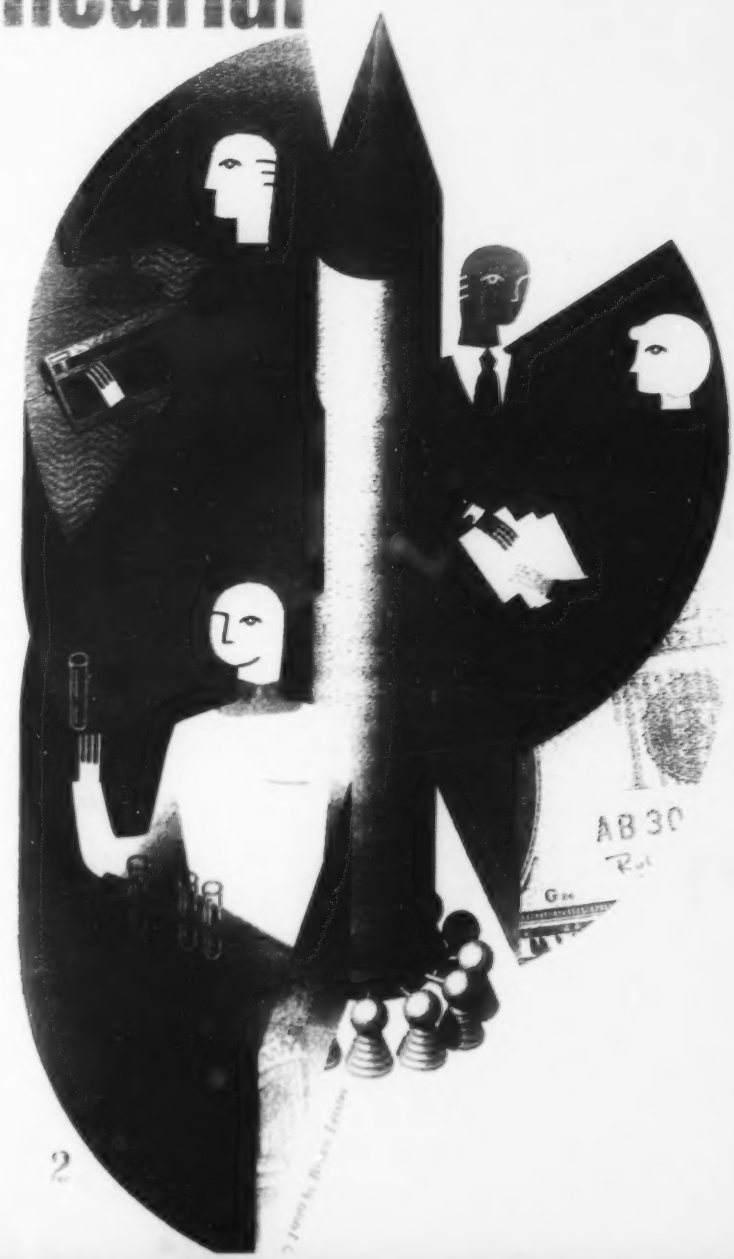
NATIONAL ALLIANCE OF BUSINESS

Economics

UNDERSTANDING CHANGE IN WORK AND THE WORKFORCE

The Entrepreneurial Spirit

and the Evolving Workplace



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PLUS

- Training Young Entrepreneurs to Get Down to Business

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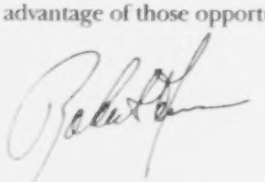
From the Editor

In this issue, we examine the role of entrepreneurship in driving the growth of the U.S. economy. We are seeing a growing percentage of the American workforce depend upon entrepreneurial skills and behaviors to succeed in the new opportunity economy. At some point in their careers, almost every American worker will work in a new business startup, small entrepreneurial firm, or large company with flattened organizations and strong entrepreneurial cultures. It is an issue for all employers and employees.

In our *In Depth* article, we explore the implications of entrepreneurship for workers today and for students who one day will enter the workforce. Even large companies are taking their cues from nimble startups, encouraging flexible work arrangements and rewarding entrepreneurial thinking. The rules of work and the demands of workplaces are changing rapidly. People who are prepared to meet the challenges stand the best chance of getting ahead.

In our *Working Smarter* article, we highlight strong models for educating students to succeed in an entrepreneurial economy.

The entrepreneurial frontier offers unlimited opportunities. It is essential that everyone be equipped with the knowledge and skills to take advantage of those opportunities.



Roberts T. Jones
President and CEO
National Alliance of Business

Will the United States Lose Its Innovation Edge?

A new report by the Council on Competitiveness warns that the United States could lose its pre-eminent position as the top innovator nation in the next decade. The 1999 Innovation Index suggests leadership and policy challenges for the country in the coming decade, including:

- emerging shortages in the national talent pool;
- stagnant investment in research and development, driven by cutbacks at the federal level;
- a slowdown in policy innovation; and
- a dissipating political consensus about the public role in innovation.

The report also recommends a new national innovation strategy to remedy those challenges and keep the United States competitive. To learn more, visit www.compete.org.

Entrepreneurship Among Women Rises Rapidly

By 2005, the number of women-owned businesses is expected to double to 12 million. This represents a business startup rate for women that is twice that of men.

Women are motivated to become entrepreneurs mainly because they want to implement entrepreneurial ideas or do for themselves the work they have been doing for others, according to a study by the National Foundation for Women Business Owners, Catalyst and The Committee of 200. The study, *Paths to Entrepreneurship: New Directions for Women in Business*, also finds that women are looking for more flexibility and challenging work.

For more information, visit www.nfwbo.org.

The Entrepreneurial Spirit

and the Evolving Workplace

The U.S. economy has undergone a dramatic shift in the last 25 years. The explosion of technology, the accelerating need for new and different products, the globalization of business, and the demand for speed in delivery have shifted the economic driving force toward companies that can meet these demands, and those generally are smaller companies.

The reason for this shift is simple: Small companies are more nimble, so they can focus on specific segments of the market and take advantage of changes in demand faster than larger competitors. This agility comes from a need to employ a workforce that can master a variety of tasks, recognize opportunities and adapt to shifting market conditions with minimal delay. As a result, the number of small entrepreneurial firms has increased dramatically in recent years. However, large companies continue to maintain dominant market shares in many of the most hotly contested markets, particularly in the high-tech and telecommunications industries, by seeking employees with characteristics similar to those in entrepreneurial firms.

Large and small firms look for employees with a new and broad array of skills. These include both the fundamental skills of reasoning and problem solving and more complex skills like technological proficiency and resource allocation and management. More important, workers must have an understanding of the domestic and global markets in which they compete and be able to recognize and capitalize on opportunities. The entrepreneurial spirit provides the spark that companies of all sizes need to become and remain competitive.

Smaller Companies Fuel Growth, Job Creation

In 1998, new business formation reached a record level, with an estimated 898,000 new firms entering the marketplace, according to the U.S. Small Business Administration (SBA). Though many small and large businesses leave the marketplace every year, either through closings or assimilation, the overall number of businesses is climbing steadily.

Small businesses, which SBA defines as companies with fewer than 500 employees, are pacing the growth of the economy. Roughly 60 percent of all new small businesses are started in individual homes with existing technology and capital, yet these companies provided 77 percent of all new jobs between 1990 and 1995. In 1997 alone, the U.S. economy as a whole created nearly 3 million new jobs, according to SBA. Six out of 10 of the industries adding these new jobs, such as engineering and management services (188,000 new jobs in 1997) and special trade contractors (158,000 new jobs in 1997), were dominated by small businesses.

In 1968, Fortune 500 firms accounted for about 20 percent of total employment; by 1994, that share had decreased to about 10 percent, according to data from Kemper Financial Services, and the trend is continuing.

The red-hot Internet, with its open frontier of opportunities, is luring many people into establishing new businesses. Many recent MBA graduates bypassed traditional employment options, choosing to start their own companies. According to *Time* magazine, 45 of Stanford University's 360 MBA graduates in 1999 started their own companies, more than twice as many as in the 1998 class.

Additionally, the U.S. Bureau of Labor Statistics estimates that 12.6 million people — 10 percent of the U.S. labor force — classify themselves as independent contractors or temporary workers. Many of these temporary and contract workers possess skills that companies need. By hiring workers for short-term and project-specific employment, small and large businesses can use their skills on an as-needed basis while keeping overhead low, a key to remaining competitive. Lower overhead is especially beneficial to small and startup companies that operate on very tight budgets.

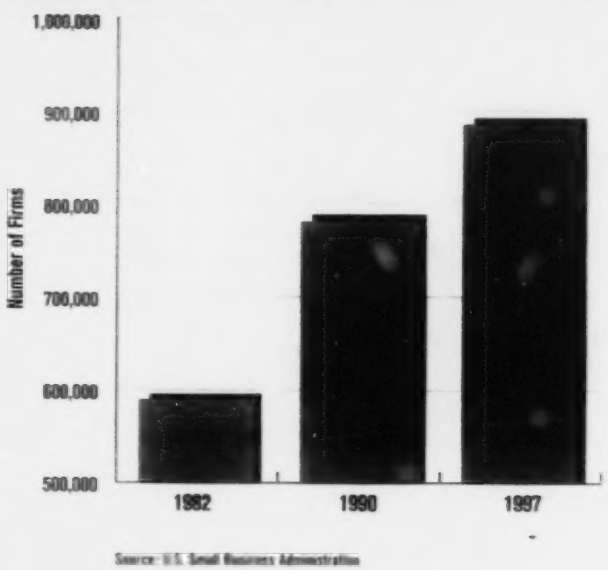
Innovation, Dynamism, Assimilation

A 1998 SBA report, *The New American Evolution: The Role and Impact of Small Firms*, asserts that small firms are the sources of constant experimentation, exploration and innovation. As such, they foster cycles of renewal in the U.S. market economy. The net effect is a dynamic, churning economy in which markets are continuously in motion. This motion spawns the creation of new businesses that form to take advantage of new or unexplored opportunities. Thus, every year, between 10 percent and 16 percent of all firms are new entities.

Small companies are more nimble, so they can focus on specific segments of the market and take advantage of changes in demand faster than larger competitors.

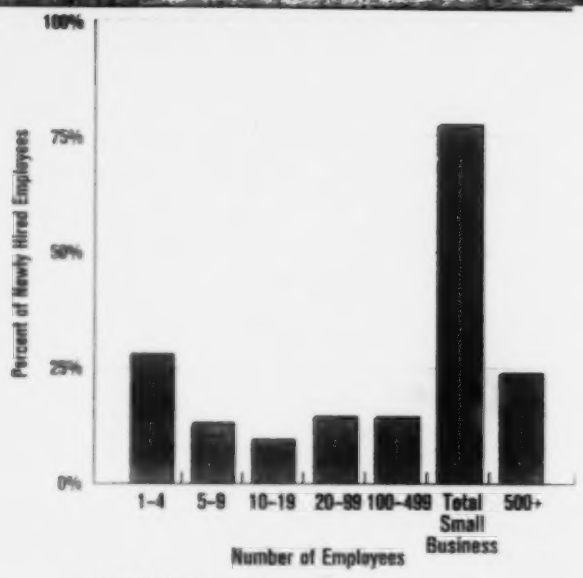
Small businesses also contribute dramatically to the U.S. economy's edge and competitiveness because they are, by nature, diverse and inclusive, the SBA report notes. Millions of young people, women, minorities and immigrants get their starts in business through small companies. Moreover, the numbers of women- and minority-owned businesses are increasing. Between 1982 and 1992, the share of firms owned

Number of New Firms, 1982–97



Source: U.S. Small Business Administration

Percent of Newly Hired Employees by Size of Firm, 1990–95



Source: U.S. Small Business Administration

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by women increased from 22 percent to 34 percent of all businesses, and the share of companies owned by minorities rose from 6 percent to nearly 12 percent over that same period.

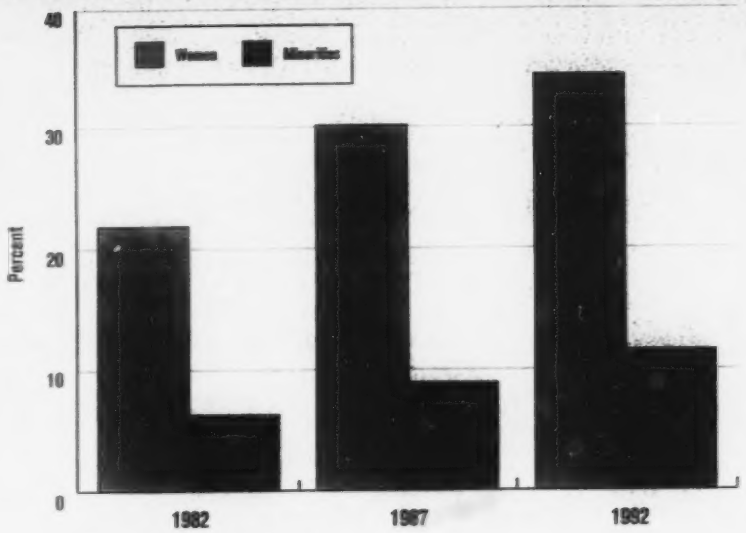
Small firms also demand greater flexibility from their workers. Tasks assigned to multiple employees or departments in large companies often fall to one individual in smaller firms. This requires a broad skill base and the ability to quickly grasp new skills. Workers are expected to engage in brainstorming, problem solving, decision-making, client service and business development as part of their regular duties.

A workforce that learns to adapt and acquire new skills rapidly lends itself to innovation and growth. To remain competitive, large companies are adopting many of the same management techniques used by smaller firms. Flattened hierarchies, leaner operations, flexible project teams, multitasking workers, profit sharing and performance rewards — all common practices in small companies — are now in use in larger companies as well.

More Knowledge, New Skills

The unprecedented success of Internet startup companies has led many to pursue entrepreneurial paths in search of similar results. Entrepreneurial success, however, requires more than just desire. It requires a core knowledge base, an understanding of the marketplace and entrepreneurial skills. According to a recent report by Marilyn Kourilsky of the Kauffman Center for Entrepreneurial Leadership, Inc., entrepreneurial thinking and behaviors are becoming essential for workers in both small companies and large corporations.

Percent of All Firms Owned by Women and Minorities, 1982-92



Source: U.S. Small Business Administration

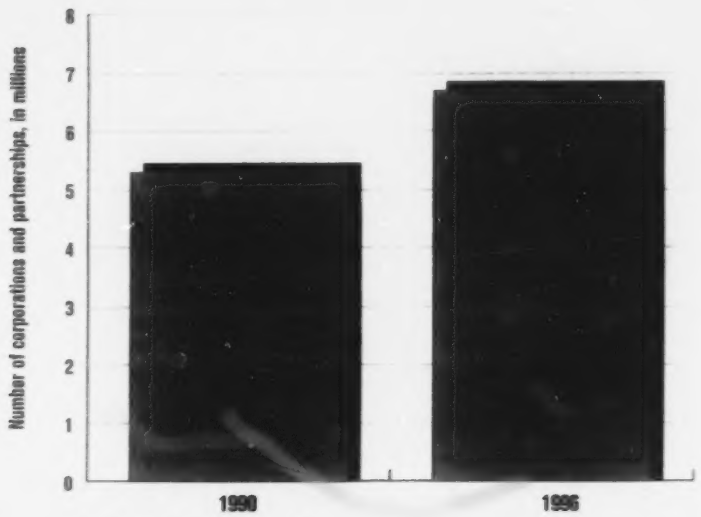
"Small firms are about becoming, not about being; about the prospects for the future, not the inheritance of the past."

– from *The New American Evolution: The Role and Impact of Small Firms*, a report of the U.S. Small Business Administration

The report, *Marketable Skills for an Entrepreneurial Economy*, synthesizes skill recommendations from the Secretary's Commission on Achieving Necessary Skills (SCANS), the Work Keys initiative of American College Testing, the American Society for Training and Development, the Commission on Education and the Economy, and education groups that set academic standards, among others. Kourilsky identifies three layers of key knowledge and skills: foundation skills, bridging skills and focus skills.

Foundation skills are the "new basics" for every work environment. To succeed in business and in life, people need solid fundamentals that include reading, writing and mathematics and the related intellectual skills of reasoning and problem solving. Kourilsky also identifies "opportunity recognition" and creative thinking as basic, foundation-level

More Firms in the 1990s

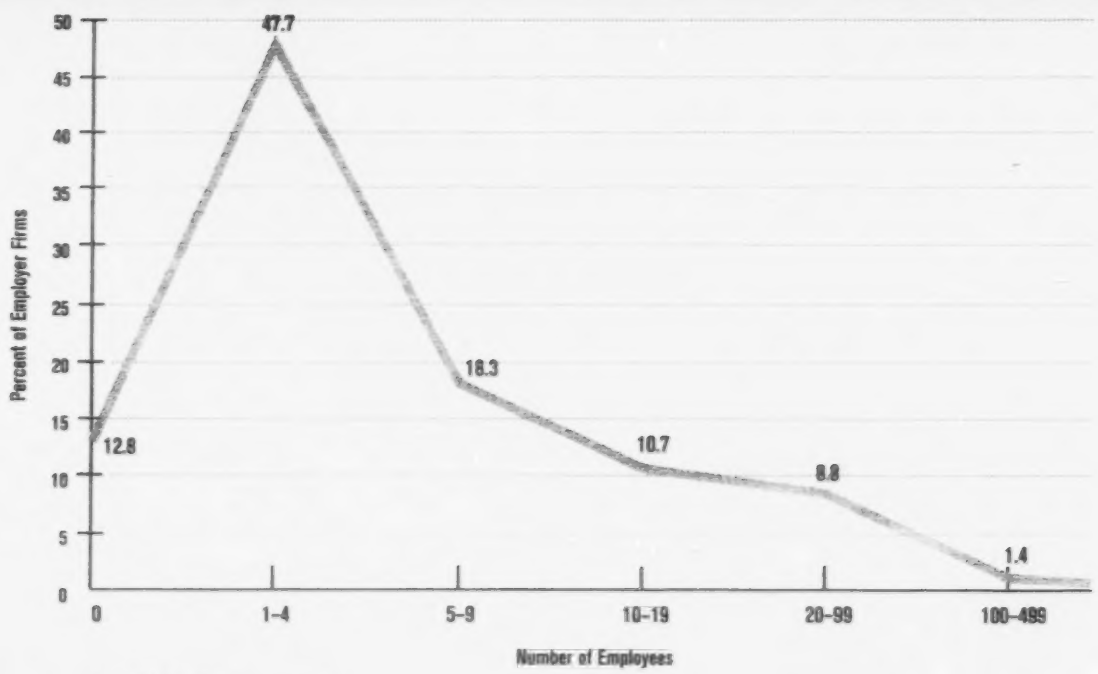


Source: U.S. Small Business Administration

skills. Today's workers must be able to view problems as opportunities for creative initiative rather than as "undesirable crises." And they need to combine ideas in new ways and make new connections between seemingly unrelated topics — the essence of creative thinking — in an opportunistic way.

Bridging skills include communication and resource allocation and management skills, along with a level of technological proficiency that enables workers to use foundation skills effectively. Workers need to listen to, cooperate with and negotiate with others as well as motivate and manage them. Workers also need to communicate verbally, make oral and written presentations, and work productively with an increasingly diverse population.

Distribution of Small Businesses by Number of Employees, 1995



Source: U.S. Small Business Administration

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Focus skills are those specifically required to engage in an agile business environment. Workers must understand "what it takes" to capitalize on business opportunities, including the tangible resources of money, space and supplies and the intangible resources of time, labor, talent and quality. They also need to keep track of their resource allocations; market and sell their ideas, products and services; and possess a broad understanding of rapidly changing global markets, economics, government regulation and policy.

Implications for Individuals, Employers, Educators

As employers increasingly demand trained workers, the pressure on schools to provide an adequate supply of these workers mounts. A 1998 Gallup survey of business leaders, students, parents and teachers found that all four groups rated the foundation, bridging and focus skills "extremely important," especially for people who plan to start their own businesses.

But the four groups also ranked these sets of skills as "highly important" for people who plan to work for others, although there is agreement that foundation skills are more essential for these workers than focus skills. Indeed, most people agree that without the new basics, the opportunities of the new economy are not attainable.

Clearly, while there is a shared public perception that higher skills benefit workers and employers, most people believe that schools are not preparing students for the entrepreneurial economy. On average, business leaders, students, parents and teachers give schools a "C" grade on educating for entrepreneurship.

A 1998 Gallup survey of business leaders, students, parents and teachers found that all four groups rated the foundation, bridging and focus skills "extremely important."

America: A Place That Remakes Itself

"America is not what America is because of its venturesome entrepreneurs or its efficient retail sector or its family values or its Judeo-Christian heritage or its rule of law or its constitutional government or its idealistic (sometimes) foreign policy or its melting-pot tradition. Such things are no doubt important. They are American things. But they are not what makes America a dream rather than just a place.

"America is a dream because it is a country where you become someone new. In merely the time that it takes you to grow up or to watch your children grow up, you can traverse a greater distance than the Hebrews and Egyptians and Greeks and Romans traversed over the course of a civilization's rise and decline. America is a place that remakes you, and that in so doing remakes itself."

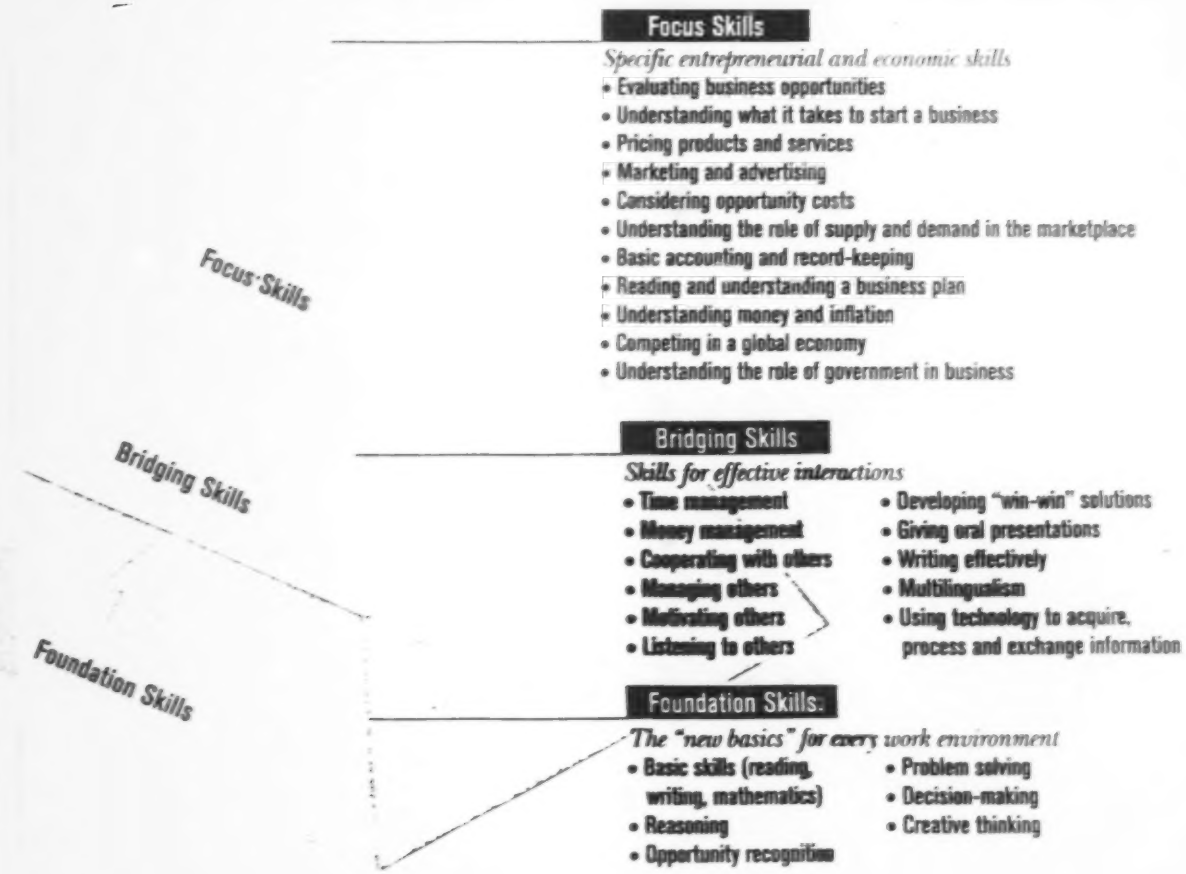
— Jonathan Rauch,
"A Summer Serenade,"
in *National Journal*, Sept. 4, 1999

At the postsecondary level, entrepreneurial education and training opportunities are improving — but they could be better. Twenty years ago, only a handful of colleges offered courses in entrepreneurship, according to a new study by the Kauffman Center for Entrepreneurial Leadership and Babson College. Today, hundreds of colleges offer such courses, while there are more than 90 active university-based centers for entrepreneurship.

Educational institutions at all levels will need to improve programs that provide students with the skills necessary to succeed in an entrepreneurial economic environment.

Similarly, entrepreneurial skills are taught at the secondary level to students who anticipate entering the workforce upon graduation from high school. For the supply of trained workers to meet the demands of the workforce adequately in the future, educational institutions at all levels will need to improve programs that provide students with the skills necessary to succeed in an entrepreneurial economic environment.

Marketable Skills Pyramid for an Entrepreneurial Economy


Focus Skills
Specific entrepreneurial and economic skills
• Evaluating business opportunities
• Understanding what it takes to start a business
• Pricing products and services
• Marketing and advertising
• Considering opportunity costs
• Understanding the role of supply and demand in the marketplace
• Basic accounting and record-keeping
• Reading and understanding a business plan
• Understanding money and inflation
• Competing in a global economy
• Understanding the role of government in business
Focus Skills
Bridging Skills
Bridging Skills
Skills for effective interactions
• Time management
• Money management
• Cooperating with others
• Managing others
• Motivating others
• Listening to others
• Developing "win-win" solutions
• Giving oral presentations
• Writing effectively
• Multilingualism
• Using technology to acquire, process and exchange information
Foundation Skills
Foundation Skills:
The "new basics" for every work environment
• Basic skills (reading, writing, mathematics)
• Reasoning
• Opportunity recognition
• Problem solving
• Decision-making
• Creative thinking

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